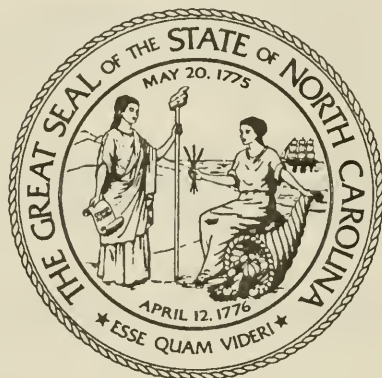


REPORT OF THE
MOTION PICTURE INDUSTRY
COMMISSION



REPORT TO THE
1989 GENERAL ASSEMBLY
OF NORTH CAROLINA

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NORTH CAROLINA GENERAL ASSEMBLY
MOTION PICTURE INDUSTRY STUDY COMMISSION
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RALEIGH, NC 27611



January 11, 1989

TO THE MEMBERS OF THE 1989 GENERAL ASSEMBLY:

The Motion Picture Industry Study Commission by this document reports to the 1989 General Assembly under authority of Part XX of Chapter 873 of the 1987 Session Laws (Senate Bill 157).

Respectfully submitted,

Senator Ted Kaplan

Representative Harry E. Payne, Jr.

Cochair

MOTION PICTURE INDUSTRY STUDY COMMISSION

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INTRODUCTION

In Part XX of Chapter 873 of the 1987 Session Laws (1987 Session) the General Assembly authorized the creation of the Motion Picture Industry Study Commission. Through this legislation, the General Assembly charged the Commission with the duties of studying the relationship of the State of North Carolina to the motion picture industry, and recommending ways the State can encourage the location of more of the industry in North Carolina. In addition, the General Assembly directed the Commission to recommend an ongoing process for an interface between the industry and the State and its local governments. (See Appendix B.)

As the Commission sought to carry out its legislative charge, the Commission members learned about an industry that has produced substantial economic impact on North Carolina in a short, eight year period. Prior to the creation of the North Carolina Film Office in 1980, the movie industry had little impact on the State. Throughout the past eight years, however, assisted by the increased recognition and attention from the State, the industry has generated more than \$1 billion of revenue in the State and created at least 46,000 jobs for North Carolina citizens. With nineteen soundstages across the State and an average of twenty pictures a year produced in the State since 1984, North Carolina's motion picture industry has emerged as the fastest growing in the nation. (See Appendix C.)

Upon hearing these impressive statistics, the Commission realized that the State is already doing a commendable job of facilitating the growth of the motion picture industry in North Carolina. But, the Commission also realized that additional assistance from the State could spur the motion picture industry to attain an even higher level of success. The Commission determined that more State action is justified in light

of the fact that the motion picture industry is a significant revenue producer with excellent potential for growth.

COMMISSION PROCEEDINGS

The Motion Picture Industry Study Commission met on six occasions throughout the State to learn about the motion picture industry, to review issues of concern to that industry, and to determine what steps the State should take to encourage further growth of that industry.

January 15th Meeting

The Commission met for the first time in Wrightsville Beach, North Carolina, on January 15, 1988. The purpose of this meeting was to organize and define the objectives of the Commission, as well as to learn about the motion picture industry from the many first hand experiences of the Wilmington area, which has evolved into one of the primary filmmaking locations in the State. Unfortunately, a rare blizzard on the beach immobilized the Commission as well as a number of scheduled speakers, so the Commission dispensed with the agenda and a tour of DEG Studios and went forward with those speakers who were able to weather the unexpected snowstorm.

Bill Arnold, Director of the North Carolina Film Office, Department of Commerce, summarized the history and functions of the Film Office, reviewed the major selling points for North Carolina as a film production State, and produced an array of statistics that validate the success of the motion picture industry in North Carolina. (See Appendix C.) Mr. Arnold identified the most significant contributions of the Film Office to the success of the motion picture industry as: establishing a strong credibility with industry professionals; reflecting an atmosphere of opportunity and cooperation in the State; and driving home the solid commitment of State government at the highest

levels to provide the support and resources necessary for the industry to succeed in North Carolina.

The Commission responded with discussion of a number of different issues, including: maintaining a steady flow of work and income for movie industry employees, providing training opportunities for movie industry employees, preparing local vendors who want to participate in the movie industry, and revising the 90-day requirement for exemption from the sales tax on accommodations.

Mark Fincannon, owner of Fincannon & Associates, a casting company, described his business to the Commission and identified issues relating to the movie industry that need the State's attention. He indicated that film education should become a top priority in order to keep talented young people in North Carolina and to "grow" our own producers, directors, actors, and technicians. Mr. Fincannon also stressed the importance of bringing producers and film companies into the State and encouraging them to set-up permanent shop here.

Following more discussion, the Commission planned its next meeting. The Commission determined that this meeting should be held in Winston-Salem and should emphasize education, training, and financing for the motion picture industry.

March 24th - 25th Meeting

The Commission held a two day meeting, March 24-25, 1988, in Winston-Salem, North Carolina and High Point, North Carolina. The Commission discussed motion picture industry training and education, and financing for motion picture production.

The meeting convened on March 24th at the North Carolina School of the Arts in Winston-Salem. A number of faculty and staff of the School addressed the Commission, including: Jane E. Milley, Chancellor; Alan Rust, Dean of the School of

Drama; Larry Smith, Dean of the School of Music; John Sneden, Dean of the School of Design and Production; Randy Fehr, Vice Chancellor for Finance and Administration; and Bill Pruitt, Acting Vice Chancellor, Arts and Academic Programs. Through these presentations, the Commission learned of the many contributions currently being made to the film industry through training offered by the School. The Commission also learned that the School hopes to make an even greater contribution by creating a School of Film at a cost of approximately \$8.5 million. Chancellor Milley noted that a film school proposal had been formulated for presentation to the Board of Governors of the University of North Carolina.

A tour of the School of the Arts and the School's primary performance facility - the Stephens Center - followed the presentations.

The meeting continued the following morning, March 25th, with a discussion of financing opportunities for the motion picture industry. Richard J. Dorgan, Group Vice President, Wachovia Bank and Trust Company, informed the Committee that Wachovia Bank had investigated the possibility of making loans for film production. He noted that Wachovia Bank had concluded that participation in a properly structured loan might be feasible if other financial institutions also participated.

The Commission then traveled to High Point to tour Carolina Atlantic Studios, a new state-of-the-art production facility. While there, the Commission again focused on education and training for the motion picture industry. Gorham Kindem, Chairman of the Department of Radio, Television, and Motion Pictures at the University of North Carolina-Chapel Hill, discussed the important role played by the University in the development of North Carolina's feature film industry. Mr. Kindem highlighted the contributions that the University and the Department make to the industry's development. He also made recommendations for encouraging indigenous production of feature films in North Carolina, including: 1) fund the production of artistic short

subject fiction films and documentaries through the North Carolina Arts Council; 2) encourage North Carolina investors to invest in feature film production; and 3) encourage more feature film support services to locate in our State so that producers do not have to go elsewhere to obtain film production and post-production services.

Dr. David Ball of the Duke Drama and Film Department continued the discussion on motion picture industry education and training. Dr. Ball noted that Duke University's drama and film activities are primarily undergraduate offerings in liberal arts. He expects that eventually graduate programs will be established to train theater, video, and film professionals. He stressed the importance of internships and apprenticeships in the industry and also encouraged the Commission to strive to find ways to support an indigenous motion picture industry. Dr. Ball indicated that a number of efforts to develop an indigenous industry in North Carolina are being made, noting that several Duke drama faculty have established a private corporation to engage in the production of commercial feature films, budgeted at \$3 million to \$5 million per film. Dr. Ball emphasized the importance of these efforts and urged the Commission to facilitate them through incentives such as tax credits for investments in films.

The Commission then discussed plans for the next meeting and decided to hold the meeting in Raleigh in order to give State officials an opportunity to talk about the interplay between State functions and laws and the motion picture industry.

April 29th Meeting

The Commission held its third meeting on April 29, 1988, in Raleigh, North Carolina. The Commission heard from a number of State government officials concerning State functions and laws that affect the motion picture industry.

Manfred Emmrich, Director of the Employment Services Division, North Carolina Employment Security Commission (ESC), described the functions of the ESC and the seventy-eight Job Service Centers across the State. Mr. Emmrich noted that the primary function is to provide referral and placement services to job seekers and employers. He informed the Commission that ESC has developed a resume file of individuals seeking employment in North Carolina's motion picture industry. Mr. Emmrich emphasized the importance of the strong working relationship that ESC has developed with the North Carolina Film Office. He indicated that the Film Office informs ESC of industry developments and makes film companies aware of the services of the ESC.

Taylor McMillan, Chief Deputy Commissioner of the North Carolina Department of Labor, reviewed child labor laws. Mr. McMillan noted that the State has little control over the work of youths in the motion picture industry. He stated that youths who work in the industry are exempt from the child labor laws set out in the Federal Fair Labor Standards Act and the State Wage and Hour Act. He pointed out that the only State requirement in effect for youths involved in the motion picture industry is the requirement that each youth obtain a youth employment certificate.

Keith Leonard, Investment Manager for the Office of State Treasurer, addressed the ability of the State Treasurer to invest State funds in venture capital. Mr. Leonard indicated that the Treasurer could not invest directly in venture capital but could invest as a limited partner in partnerships that are managed primarily for the purpose of investment in venture capital or corporate buyout transactions. He noted that there is a cap on the amount of State funds available for investment, which is set at 3% of the cash balance for the General Fund and the Highway Fund. Mr. Leonard conveyed the Treasurer's support of investment opportunities afforded by the motion picture industry. He then suggested that a list of venture capital firms and offices in the State

be compiled for the use of those interested in promoting development of the motion picture industry in North Carolina.

E.C. Byrum, Assistant Director, Sales and Use Tax Division, North Carolina Department of Revenue, reviewed the application to the motion picture industry of the 1% rate of tax with a maximum tax of \$80 per article on sales of mill machinery, parts, or accessories to manufacturing industries and plants. Mr. Byrum indicated that sales to motion picture production firms of cameras, film, props, or building materials to be used in the construction of sets that are used in actual filming of movies for sale, lease, or rental are subject to the 1% rate of tax with a maximum tax of \$80 per article. He stated that this lower rate of tax does not apply to sales to motion picture production firms of tangible personal property in use for activities such as raw materials storage, finished goods storage, distribution, or administration. Mr. Byrum informed the Commission that these sales are subject to the 3% State and 2% local sales and use taxes.

The Commission decided that a fact sheet concisely outlining the application of State tax laws to the motion picture industry should be prepared for distribution to interested production companies.

The Commission's discussion then turned to training and education for participation in the motion picture industry as Roger Bone, Assistant for State Government Affairs, North Carolina Department of Community Colleges, addressed the Commission. Mr. Bone assured the Commission that the Community College System is already involved in training for the motion picture industry. He noted that community colleges across the State offer a variety of courses, such as cosmetology, commercial graphics, carpentry, masonry, commercial art and design, photography, interior design, photo finishing, television broadcasting, and business management. Mr. Bone spoke

optimistically of future opportunities for involvement by the Community College System in the motion picture industry.

Mitzi York, Assistant to the City Manager of Wilmington, spoke to the Commission about the City's relationship and experiences with the motion picture industry. Ms. York stated that the City Manager's office is responsible for the motion picture industry's use of city facilities and must issue permits for use of these facilities. She noted that the reason these permits are required is to allow the city to keep track of the activities of film companies and to help the companies avoid public safety hazards that might otherwise arise. Ms. York also informed the Commission about various fees that are charged by the City for special activities associated with filming and about the public liability insurance that is issued to film companies.

Bill Arnold, Director of the North Carolina Film Office, updated the Commission on the new film directory being developed and marketed by the Film Office. Mr. Arnold also told the Commission that the Film Office's request for \$100,000 in additional funding for advertising and promotion had not been carried forward by the Department of Commerce as a part of the Department's proposed budget. In response to questioning by the Commission, Mr. Arnold indicated that he believed the current number of Film Office staff to be sufficient at present.

The Commission voted to go on record as supporting the Film Office budget request of \$100,000 for promotion and advertising. (See Appendix D.) In addition, the Commission voted to go on record as communicating to the Board of Governors of the University of North Carolina the desire of the Commission to see a school dedicated to training and education for the Motion Picture Industry developed in the State. (See Appendix E.)

Carol Keesee, a graduate student at UNC-Greensboro, and John Griffin, an independent location manager, expressed their support for motion picture industry

training and education, but indicated that needs of the programs already in existence should be met before money is expended to establish a new film school.

David Gregory, a masters candidate with the Department of Radio, Television, and Motion Pictures at UNC-Chapel Hill, presented a documentary, which he produced for his masters thesis, on the history of the motion picture industry in North Carolina.

The Commission then set a date, September 30th, for its next meeting, which was scheduled to be held in Yanceyville to permit the Commission to review motion picture industry developments in that area.

September 30th Meeting

The Commission held its fourth meeting on September 30, 1988, in Yanceyville, North Carolina. The Commission met in Yanceyville in order to learn more about the prospects for further development of a motion picture industry in that area.

Bill Arnold, Director of the North Carolina Film Office, briefly updated the Commission on motion picture industry activity in the State. Mr. Arnold noted that an earlier estimate that seven motion pictures would be filmed in the State during 1988, had already been surpassed. He stated that to date this year, 13 motion pictures have been undertaken in North Carolina and that many production companies are working to come into North Carolina soon.

Officials representing the Caswell County public school system and Piedmont Community College then addressed the Commission on efforts to establish a training and education environment that would facilitate the development of a motion picture industry in the area. According to these officials, the public school system has revised its carpentry program, established a new principles of technology program that provides both high school and college credits, and improved its computer training by bringing on board two fulltime computer teachers. Similarly, Piedmont Community College has

also revised its program with thoughts of preparing the area for the motion picture industry. The Community College has developed proposals that include several programs for training film production technicians.

Zale Magder, a Canadian film producer, appeared before the Commission in order to explain his future plans for development of a film community in Caswell County. Three years ago, Mr. Magder purchased 275 acres of land in Caswell County with plans of creating a film community, which would generate its own film products. Mr. Magder also had plans of establishing a North Carolina distribution corporation that would market the productions of the film community. As of the time of Mr. Magder's presentation to the Commission, a lake and a road had been built on the property. Mr. Magder assured the Commission that his plans were still intact and that negotiations were underway to ensure appropriate financing of the project. Mr. Magder responded to questioning by the Commission and then encouraged the Commission to investigate the roles that the State could play in developing an indigenous film industry in North Carolina.

Commission Cochairman, Senator Ted Kaplan, then appointed a subcommittee to investigate the concept of public-private financing for motion picture development and production. He instructed the subcommittee to report to the Commission at the next meeting, which the Commission determined should be held in Charlotte after the November election.

December 6th Meeting

The Commission convened its fifth meeting at the Charlotte Motor Speedway on December 6, 1988. The Commission focused on the progress of the motion picture

industry in the Charlotte area and discussed possible proposals for transmittal to the 1989 General Assembly.

A number of motion picture industry leaders from the Charlotte area made presentations to the Commission, including: Cullie Tarleton, Senior Vice-President & Managing Director, WBTV; Terry Frazier, Scriptwriter and Faculty Member, UNC-C; Mark deCastrique, Executive Producer for Newcomb/deCastrique Film Productions; Humpy Wheeler, President and General Manager, Charlotte Motor Speedway; Terry Laughlin, President, Charlotte Film & Video Association; Jan O'Neill, Owner of JTA Agency; Bill Guerrant, Public Relations, City of Charlotte; Danny Hearn, Statesville Film Commission; Spencer Barnes, North Carolina Department of Revenue, Charlotte Office; and Pat Hall, SAG Actor, Independent Producer, and Member of the Board of Directors of the Charlotte Film & Video Association.

These speakers reviewed a variety of topics and issues, such as: the history of the commercial production industry in Charlotte; the need for additional film education opportunities in the Charlotte area; the current status of commercial production in Charlotte; the need for North Carolina to make it easier for film producers to work in the State; the history of the Charlotte Film & Video Association, which was established to make Charlotte a "user friendly city" for the motion picture industry; the increasing number of opportunities for North Carolina actors to make a living here; the role of Charlotte city government in assisting the motion picture industry; the successful experiences that the city of Statesville has had with the motion picture industry; and the State tax ramifications for motion picture productions in North Carolina.

After discussion of many of the issues raised by the Charlotte speakers, the Commission reviewed possible public/private financing options as described by the subcommittee appointed at the last Commission meeting. The Commission expressed an interest in State income tax credits for investors who invest in films that are

produced in North Carolina. Another suggestion that interested the Commission members was that of establishing a revolving fund to be used by Public TV to finance production of "American Playhouse" projects in North Carolina.

Other proposals of interest to the Commission included: additional funding for the Film Office to be used for promotion; an additional staff person for the Film Office who would serve as full-time liaison between North Carolina, California, and New York; a matching funds program between the State and localities to establish a directory of potential film locations throughout the State; revision of the sales tax on post-production transfers from production company to client; revision of the 90-day threshold for exemption from the accommodations tax; and creation of an easily understandable brochure describing pertinent tax information for production companies doing business in North Carolina.

The Commission decided to hold a meeting in Raleigh on December 20th to review these proposals and make a final determination of recommendations to submit to the 1989 General Assembly.

December 20th Meeting

The Commission held its sixth and final meeting in Raleigh, North Carolina, on December 20, 1988. At this meeting the Commission determined recommendations for transmittal to the 1989 General Assembly. The final determinations of the Commission are embodied in the Recommendations that follow and incorporate ideas relating to Film Office funding, tax credits for investment in North Carolina films, funding for public TV projects filmed in North Carolina, funding for local promotion of North Carolina film locations, application of the sales and use tax to post-production transactions, and funding for a new mass communication building at UNC-CH.

RECOMMENDATIONS

The Motion Picture Industry Study Commission makes the following recommendations to the 1989 Session of the General Assembly:

1. The Commission recommends an appropriation of one hundred thousand dollars for each year of the biennium to the Film Office of the Department of Commerce for advertising and promotion of filmmaking in North Carolina. (See Appendix F for legislation.)
2. The Commission recommends a State Income Tax Credit for corporate and individual taxpayers who invest in film for theatrical, commercial, advertising, or educational purposes, if seventy-five percent of the "below-the-line" or actual production costs of the film are expended in North Carolina. (See Appendix G for legislation.)
3. The Commission recommends an appropriation of four hundred thousand dollars for fiscal year 1989-90 to the Film Office of the Department of Commerce to be used to attract national public television film productions in North Carolina. (See Appendix H for legislation.)
4. The Commission recommends the establishment of a Film Location Fund in the Film Office of the Department of Commerce to promote

North Carolina locations for filmmaking by the development of print or video materials and directories. (See Appendix I for legislation.)

5. The Commission recommends an amendment to the sales tax statutes to exempt certain post-production transactions related to filmmaking from the sales tax on tangible personal property. (See Appendix J for legislation.)

6. The Commission recommends that the Departments of Labor, Employment Security, Community Colleges, Revenue, and State Treasurer prepare and forward to the Film Office fact sheets, brochures, or other written material specifying in simple terms the law and regulations of that particular department as it relates to the film industry.

7. The Commission endorses the recommendation of the Board of Governors of the University of North Carolina to construct a mass communication building to house the School of Journalism and the Department of Radio, Television, and Motion Pictures at the University of North Carolina at Chapel Hill.

APPENDIX A

SUBJECT: MOVIE INDUSTRY
Authority: Chapter 873, Part XX (SB 157-Block)
Report by: Motion Picture Industry Study Commission
Report to: President of the Senate and Speaker of the House of Representatives
Date: 1989 Session of the General Assembly

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APPENDIX B

PART XX.-----MOVIE INDUSTRY STUDY COMMISSION

Sec. 20.1. The Motion Picture Industry Study Commission is created. The Commission shall consist of 20 members: 10 persons appointed by the President of the Senate and 10 persons appointed by the Speaker of the House. All initial appointments shall be made by September 15, 1987. Vacancies on the Commission shall be filled in the same manner as initial appointments.

Sec. 20.2. The President of the Senate and the Speaker shall jointly call the initial meeting of the Commission.

Sec. 20.3. The Commission shall study the relationship of the State of North Carolina to the motion picture industry, and recommend ways the State can encourage the location of more of the industry in this State. The Commission shall also recommend an ongoing process for an interface between the industry and the State and its local governments.

Sec. 20.4. The Commission shall submit a final report of its findings and recommendations to the General Assembly on or before the first day of the 1989 Session of the General Assembly by filing the report with the President of the Senate and the Speaker of the House of Representatives. Upon filing its final report, the Commission shall terminate.

Sec. 20.5. Upon the approval of the Legislative Services Commission, the Legislative Administrative Officer shall assign professional and clerical staff to assist in the work of the Commission. Clerical staff shall be furnished to the Commission through the offices of House and Senate Supervisors of Clerks. The expenses of employment of the clerical staff shall be borne by the Commission. The Commission may meet in the Legislative Building or the Legislative Office Building, upon the approval of the Legislative Services Commission.

Sec. 20.6. Members of the Commission shall be paid subsistence and travel allowances as follows:

(1) Commission members who are also General Assembly members at the rate established in G.S. 120-3.1;

(2) Commission members who are also officials or employees of the State at the rate established in G.S. 138-6;

(3) All other Commission members at the rate established in G.S. 138-5.

Sec. 20.7. There is appropriated from the General Fund to the Legislative Services Commission for fiscal year 1987-88 the sum of fifty thousand dollars (\$50,000) to fund the Commission created by this Part.



North Carolina Department of Commerce

430 North Salisbury Street • Raleigh, North Carolina 27603

James G. Martin, Governor
Claude E. Pope, Secretary

David M. Eldridge, Assistant Secretary
Director of Economic Development

January, 1988

NORTH CAROLINA MOVIE, TV INDUSTRY FACT SHEET

YEAR	PRODUCTIONS	DIRECT REVENUES	ECONOMIC IMPACT
1987	35	\$128 million	\$384.1 million
1986	22	\$ 88.8 million	\$266.5 million
1985	18	\$ 66 million	\$200 million
1984	12	\$ 38 million	\$115 million
1983	8	\$ 34 million	\$102 million
1982	6	\$ 28.6 million	\$ 86 million
1981	4	\$ 21.6 million	\$ 65 million
1980	11	\$ 29 million	\$ 87 million

Since establishment of the North Carolina Film Office in 1980, movie, television, video, and commercial production has generated an estimated impact of \$1,305,600,000 on the state's economy, created more than 46,000 jobs for North Carolinians (3,000 crew, 43,000 actors, actresses, extras), with a payroll of approximately \$34.5 million. State Film Office expenditures of tax dollars during the same time period has amounted to less than \$1 million.

WITH four already-established motion picture studio complexes and a fifth under construction in 1988, the state's 17 soundstages, on-line movie catering operations, specialized talent, transportation, equipment, and manpower resources clearly establishes North Carolina second only to California in production facilities in the USA. Its 1987 estimate of revenues derived from production activity (\$128 million in direct expenditures, \$384.1 million in economic impact), makes it arguably the No. 3 state in the nation in film activity returns, behind California's estimated \$5 billion and New York's \$2 billion.

MAJOR SELLING POINTS FOR NORTH CAROLINA AS A FILM PRODUCTION STATE:

- Variety of scenic, architectural, and geographical locations
- Lower general costs
- Close proximity of major commercial airports
- Close proximity of production studio facilities
- Good Year-Round Climate with Four seasons
- Right to work status
- Talent, Equipment, Crew Resources
- No Standing Fees or Permits, Statewide
- Strong Governmental, Private Sector Support

APPENDIX D

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1987

H

1

HOUSE BILL 2616*

Short Title: Film Office Funds.

(Public)

Sponsors: Representatives Payne, Barnes, Colton, Bruce Ethridge, Grimmer,
Holroyd, Jack Hunt, Keesee-Forrester, Redwine; Hall, Locks.

Referred to: Appropriations.

June 20, 1988

1 A BILL TO BE ENTITLED

2 AN ACT TO APPROPRIATE FUNDS FOR ADVERTISING AND PROMOTION
3 OF FILMMAKING IN NORTH CAROLINA BY THE FILM OFFICE IN THE
4 DEPARTMENT OF COMMERCE.

5 The General Assembly of North Carolina enacts:

6 Section 1. There is appropriated from the General Fund to the
7 Department of Commerce the sum of one hundred thousand dollars (\$100,000) for
8 the 1988-89 fiscal year for advertising and promotion of filmmaking in North
9 Carolina by the Film Office.

10 Sec. 2. This act shall become effective July 1, 1988.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1987

S

1

SENATE BILL 1561*

Short Title: Film Office Funds.

(Public)

Sponsors: Senators Kaplan, Block, Daniel, Plyler, Warren.

Referred to: Appropriations Committee.

June 3, 1988

A BILL TO BE ENTITLED

AN ACT TO APPROPRIATE FUNDS FOR ADVERTISING AND PROMOTION
OF FILMMAKING IN NORTH CAROLINA BY THE FILM OFFICE IN THE
DEPARTMENT OF COMMERCE.

The General Assembly of North Carolina enacts:

Section 1. There is appropriated from the General Fund to the
Department of Commerce the sum of one hundred thousand dollars (\$100,000) for
the 1988-89 fiscal year for advertising and promotion of filmmaking in North
Carolina by the Film Office.

Sec. 2. This act shall become effective July 1, 1988.

APPENDIX E

NORTH CAROLINA GENERAL ASSEMBLY
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May 2, 1988

Mr. Phillip G. Carson, Chairman
Board of Governors
University of North Carolina
P.O. Box 2714
Asheville, NC 28802

Dear Mr. Carson:

We are the Cochairmen of the Motion Picture Industry Study Commission, which was established by the General Assembly during the 1987 Session. The Commission was authorized to "study the relationship of the State of North Carolina to the motion picture industry, and recommend ways the State can encourage the location of more of the industry in the State."

Over the course of the Commission's deliberations, it has become clear that the educational system is critical to the success of filmmaking. Many speakers have stated that there is a great need in North Carolina for professional training in this field.

We are quite interested in our educational system and leaders responding to this need. At our last meeting on April 29, 1988, a motion passed unanimously, which directed that we convey to the Board of Governors our enthusiastic support of any enhancements to the filmmaking curriculum offered by the University System. It is our understanding that several proposals are before you, including the establishment of a School of Film at the North Carolina School of the Arts and the enhancement of programs at the Universities of North Carolina at Chapel Hill and Greensboro.

We heartily endorse any direction that you may choose to further this educational need.

PAGE 2
May 2, 1988

Thank you for your assistance in this regard. We sincerely appreciate any efforts that are undertaken and will be available for additional consultation and support.

Very truly yours,

Senator Ted Kaplan
Senator Ted Kaplan

Representative Harry E. Payne, Jr.
Representative Harry E. Payne, Jr.

cah
cc: Mr. C.D. Spangler, Jr.
President, UNC

APPENDIX F

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

D

89RM-6

THIS IS A DRAFT AND NOT READY FOR INTRODUCTION

Short Title: Film Office Funds.

(public)

Sponsors:

Referred to:

1 A BILL TO BE ENTITLED

2 AN ACT TO APPROPRIATE FUNDS TO THE FILM OFFICE IN THE
3 DEPARTMENT OF COMMERCE FOR ADVERTISING AND PROMOTION OF
4 FILMMAKING IN NORTH CAROLINA.

5 The General Assembly of North Carolina enacts:

6 Section 1. There is appropriated from the General Fund to the Department
7 of Commerce the sum of one hundred thousand dollars (\$100,000) for the 1989-90
8 fiscal year and the sum of one hundred thousand dollars (\$100,000) for the 1990-91
9 fiscal year for advertising and promotion of filmmaking in North Carolina by the Film
10 Office.

11 Sec. 2. This act shall become effective July 1, 1989.

APPENDIX G

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

D

89-RH-9

THIS IS A DRAFT 21-DEC-88 15:11:42

Short Title: Motion Picture Tax Credit.

(Public)

Sponsors:

Referred to:

A BILL TO BE ENTITLED

AN ACT TO ALLOW STATE INCOME TAX CREDITS FOR CORPORATIONS
AND INDIVIDUALS WHO INVEST IN QUALIFIED MOTION PICTURES.

The General Assembly of North Carolina enacts:

Section 1. G.S. 105-163.010 is amended by adding a new subdivision to
read:

"(9a) Qualified Motion Picture - Any audiovisual work consisting of a series of
related images, either on film, video tape, or other audiovisual embodiment, for
showing on screen or television for theatrical, commercial, advertising, or educational
purposes; provided that seventy-five percent (75%) of the 'below-the-line' costs
associated with the audiovisual work are spent in North Carolina. 'Below-the-line' costs
mean the actual costs of producing an audiovisual work.

Sec. 2. G.S. 105-163.011 reads as rewritten:

"§ 105-163.011. Tax credits allowed.

(a) Corporations. -- Subject to the limitations contained in G.S. 105-163.012, a
corporation that invests in the equity securities of a North Carolina Capital Resource
Corporation, a North Carolina Enterprise Corporation, or a qualified investment
organization or invests in a qualified motion picture, whether that investment is in a

1 partnership, corporation, or other business entity, is allowed as a credit against the tax
2 imposed by Division I of this Article or the tax imposed by G.S. 105-116, 105-120.2,
3 and 105-122 for the taxable year an amount equal to twenty-five percent (25%) of the
4 amount invested or seven hundred fifty thousand dollars (\$750,000), whichever is less.
5 The credit may not be taken for the year in which the investment is made but shall be
6 taken for the taxable year beginning during the calendar year following the calendar
7 year in which the investment was made.

8 (b) Individuals. -- Subject to the limitations contained in G.S. 105-163.012, an
9 individual who invests in the equity securities or subordinated debt of (i) a North
10 Carolina Capital Resource Corporation, (ii) a qualified investment organization, (iii) a
11 qualified business venture, (iv) a qualified grantee business, or (v) a North Carolina
12 Enterprise Corporation or invests in a qualified motion picture, whether that investment
13 is in a partnership, corporation, or other business entity, is allowed as a credit against
14 the tax imposed by Division II of this Article for the taxable year an amount equal to
15 twenty-five percent (25%) of the amount invested or one hundred thousand dollars
16 (\$100,000), whichever is less. The credit may not be taken for the year in which the
17 investment is made but shall be taken for the taxable year beginning during the
18 calendar year following the calendar year in which the investment was made.

19 (c) Application. -- To be eligible for the tax credit provided in this section, the
20 taxpayer must file an application for the credit with the Secretary of Revenue on or
21 before April 15 of the year following the calendar year in which the investment was
22 made. The application shall be on a form prescribed by the Secretary and shall
23 include any supporting documentation that the Secretary may require.

24 In order to claim credit for an investment in a qualified motion picture the applicant
25 must attach to the application a statement from the production company certifying the
26 amount of the investment and that it was made in a qualified motion picture as defined
27 in G.S. 105-163.010(9a).

28 (d) Penalties. -- The penalties provided in G.S. 105-236 apply in this Division."

29 Sec. 3. G.S. 105-163.012 reads as rewritten:

30 "**§105-163.012. Limit; carry-over; ceiling.**

31 (a) The credit allowed a taxpayer under G.S. 105-163.011 may not exceed the
32 amount of tax imposed by Division I or II of this Article or by Article 3 of this
33 Chapter, as appropriate, for the taxable year reduced by the sum of all other credits
34 allowable except tax payments made by or on behalf of the taxpayer. The amount of

1 unused credit allowed under G.S. 105-163.011 may be carried forward for the next five
2 succeeding years.

3 (b) The total amount of all tax credits allowed to taxpayers under G.S. 105-163.011
4 for investments made in a calendar year may not exceed twelve million dollars
5 (\$12,000,000). The Secretary of Revenue shall calculate the total amount of tax credits
6 claimed from the applications filed pursuant to G.S. 105-163.011(c). If the total
7 amount of tax credits claimed for investments made in a calendar year exceeds twelve
8 million dollars (\$12,000,000), the Secretary shall allow a portion of the credits claimed
9 on the following basis:

10 (1) A total of six million dollars (\$6,000,000) in tax credits for
11 investments in North Carolina Enterprise Corporations or North
12 Carolina Capital Resource Corporations shall be allocated among all
13 taxpayers claiming the credits in proportion to the size of the credit
14 claimed by each taxpayer.

15 (2) A total of six million dollars (\$6,000,000) in tax credits for
16 investments in qualified investment organizations, qualified business
17 ventures, ~~and~~ qualified grantee businesses, and qualified motion
18 pictures shall be allocated among all taxpayers claiming the credits in
19 proportion to the size of the credit claimed by each taxpayer.

20 (3) If the total amount of the credits claimed by taxpayers for the
21 investments described in either subdivision (1) or (2) is less than six
22 million dollars (\$6,000,000), the Secretary shall allow additional
23 credits for the investments described in the other subdivision until the
24 total amount of all tax credits allowed equals twelve million dollars
25 (\$12,000,000).

26 (c) If a credit claimed under G.S. 105-163.011 is reduced as provided in this
27 section, the Secretary shall notify the taxpayer of the amount of the reduction of the
28 credit on or before December 31 of the year following the calendar year in which the
29 investment was made. The Secretary's allocations based on applications filed pursuant
30 to G.S. 105-163.011(c) are final and shall not be adjusted to account for credits applied
31 for but not claimed."

32 Sec. 4. This act is effective for taxable years beginning on or after January
33 1, 1989.

34

APPENDIX H

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

D

89RM-9

THIS IS A DRAFT 21-DEC-88 14:49:18

Short Title: (public)

Sponsors:

Referred to:

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH A FUND IN THE FILM OFFICE OF THE DEPARTMENT
OF COMMERCE TO BE USED TO ATTRACT NATIONAL PUBLIC
TELEVISION FILM PRODUCTIONS TO NORTH CAROLINA.

The General Assembly of North Carolina enacts:

Section 1. There is established a fund under the control of the Film Office
of the Department of Commerce to be used to promote North Carolina as a location for
national public television film productions.

The Director of the Film Office shall establish a special fund to implement this act.
The Director shall be the custodian of the fund and have the discretion to expend the
funds to assist American Playhouse Theater and other national public television film
entities in considering North Carolina locations for shooting their film productions.

Sec. 2. The fund established by this act shall not take the place of State
appropriations to the Film Office, but the funds shall be used to supplement other
income and appropriations to the Film Office.

1 Sec. 3. There is appropriated from the General Fund to the Film Office of
2 the Department of Commerce the sum of four hundred thousand dollars (\$400,000) for
3 fiscal year 1989-90 to implement the provisions of this act.

4 Sec. 4. This act shall become effective July 1, 1989.

APPENDIX I

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

D

89RM-7

THIS IS A DRAFT AND NOT READY FOR INTRODUCTION

Short Title: (public)

Sponsors:

Referred to:

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH A FUND IN THE FILM OFFICE OF THE DEPARTMENT
OF COMMERCE TO PROMOTE LOCATIONS IN NORTH CAROLINA FOR
FILMMAKING.

The General Assembly of North Carolina enacts:

Section 1. It is the intent of the General Assembly to promote filmmaking
and all aspects of film development and production in the State of North Carolina. The
General Assembly recognizes that North Carolina has many unique natural, historic,
and cultural resources and settings that could attract filmmakers and production
companies.

There is established a Film Location Fund under the control of the Film Office of the
Department of Commerce to be used for the promotion of North Carolina locations in
filmmaking. The purpose of the Film Location Fund is to promote North Carolina as a
"location state" in the film industry.

Sec. 2. The Film Office shall establish a special fund known as the Film
Location Fund to implement this act. All funds specified in this act shall be credited

1 and deposited in the Film Location Fund. The Director of the Film Office shall be
2 custodian of the Fund and shall have the discretion to distribute the funds in accordance
3 with this act and grant criteria developed by the Film Office.

4 Money from the Film Location Fund is to be disseminated to local projects to
5 develop print or video materials or directories of locales or facilities that could be used
6 as sites in filmmaking.

7 Sec. 3. Gifts, contributions, and in-kind services from private and local
8 governmental sources designated for inclusion in the Film Location Fund shall be
9 matched by the State on a one-to-one basis. For each one thousand dollars (\$1,000)
10 raised from private and local governmental sources, the State will match one thousand
11 dollars (\$1,000). The amount of matching money from the State shall be limited to five
12 thousand dollars (\$5,000) for any one specific local group.

13 Sec. 4. The Film Location Fund shall not take the place of State
14 appropriations to the Film Office, but the funds shall be used to supplement other
15 income and appropriations to the Film Office.

16 Sec. 5. There is appropriated from the General Fund to the Film Office of
17 the Department of Commerce the sum of fifty thousand dollars (\$50,000) for fiscal year
18 1989-90 to implement the provisions of this act.

19 Sec. 6. This act shall become effective July 1, 1989.

APPENDIX J

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 1989

D

89-RH-10

THIS IS A DRAFT 21-DEC-88 11:44:48

Short Title: Tangible Personal Property Definition.

(Public)

Sponsors:

Referred to:

1 A BILL TO BE ENTITLED

2 AN ACT TO AMEND THE DEFINITION OF "TANGIBLE PERSONAL
3 PROPERTY" FOR PURPOSES OF APPLICATION OF THE SALES AND USE
4 TAX TO POST-PRODUCTION TRANSACTIONS.

5 The General Assembly of North Carolina enacts:

6 Section 1. G.A. 105-164.3(20) reads as rewritten:

7 " (20) 'Tangible personal property' means and includes personal property which may
8 be seen, weighed, measured, felt or touched or is in any other manner perceptible to
9 the senses. The term 'tangible personal property' shall not include stocks, bonds,
10 notes, insurance or other obligations or securities, nor shall it include water delivered
11 by or through main lines or pipes either for commercial or domestic use or
12 consumption. The term includes all 'canned' or prewritten computer programs, either
13 in the form of written procedures or in the form of storage media on which or in which
14 the program is recorded, held, or existing for general or repeated sale, lease, or license
15 to use or consume. The term does not include the design, development, writing,
16 translation, fabrication, lease, license to use or consume, or transfer for a consideration
17 of title or possession of a custom computer program, other than a basic operational
18 program, either in the form of written procedures or in the form of storage media on

1 which or in which the program is recorded, or any required documentation or manuals
2 designed to facilitate the use of the custom computer program. The term does not
3 include the design, development, writing, translation, fabrication, lease, license to use
4 or consume, or transfer for a consideration of title or possession of a master film or
5 master video tape.

6 As used in this subdivision:

7 a. 'Basic operational program' or 'control program' means a computer program that
8 is fundamental and necessary to the functioning of a computer. A basic operational
9 program is that part of an operating system, including supervisors, monitors,
10 executives, and control or master programs, which consists of the control program
11 elements of that system. A control or master program, as opposed to a processing
12 program, controls the operation of a computer by managing the allocation of all system
13 resources, including the central processing unit, main storage, input/output devices, and
14 processing programs. A processing program is used to develop and implement the
15 specific applications the computer is to perform.

16 b. 'Computer program' means the complete plan for the solution of a problem, such
17 as the complete sequence of automatic data-processing equipment instructions necessary
18 to solve a problem, and includes both systems and application programs and
19 subdivisions, such as assemblers, compilers, routines, generators, and utility programs.

20 c. 'Custom computer program' means a computer program prepared to the special
21 order of the customer. Custom computer programs include one of the following
22 elements:

23 1. Preparation or selection of the programs for the customer's use requires an
24 analysis of the customer's requirements by the vendor; or

25 2. The program requires adaptation by the vendor to be used in a particular make
26 and model of computer utilizing a specified output device.

27 d. 'Storage media' means punched cards, tapes, disks, diskettes, or drums.

28 e. 'Master film or Master video tape' means films or video tapes utilized by the
29 motion picture and television production industries in making visual images for
30 reproduction.

31 f. 'Motion picture or Television production industry' means any person engaged in
32 an occupation or business for a livelihood or for profit of making visual motion picture
33 or television visual images for showing on screen or television for theatrical,
34 commercial, advertising, or educational purposes."

1 Sec. 2. This act shall become effective July 1, 1989, and applies to
2 transactions made on or after that date.
3

